

Message Text

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SUBJ: PENSIONS TIED TO SALARIES

REF: ROME 2371

1. /BEGIN SUMMARY/. THREE LEADERS OF FEDERATION CGIL-CISL-UIL (CCU) REACHED AGREEMENT APRIL 4 WITH LABOR MINISTER MARIO TOROS ON INNOVATIVE SYSTEM GRADUALLY TO LINK OVER FIVE-YEAR PERIOD PENSIONS PAID FROM STATE-RUN PENSION FUND TO CHANGES IN INDUSTRIAL WAGES AND COST OF LIVING ADJUSTMENTS. BENEFITS OF AGREEMENT WILL BE EXTENDED TO ALL ITALIANS COVERED BY GENERAL COMPULSORY (PENSIO) INSURANCE PROGRAM (IMPS). /END SUMMARY/.

2. TWO PARTIAL PENSION AGREEMENTS BETWEEN CCU AND GOI WERE REACHED EARLIER. FIRST, ON FEBRUARY 14, GRANTED 13,000 (ONE DOLLAR EQUALS 630 LIRE) LIRE INCREASE IN MINIMUM PENSIONS BEGINNING JANUARY 1, 1975. WITH SECOND UNDERSTANDING REACHED MARCH 14, GOI ACCEPTED PRINCIPLE OF LINKING PENSIONS TO SALARIES AND COST OF LIVING CHANGES.

3. LATEST ACCORD SPECIFIES THAT BEGINNING ON JANUARY 1, 1976,
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MINIMUM PENSIONS ARE TO EQUAL 27.75 PERCENT OF MEDIAN WAGES IN

INDUSTRY. CURRENT MINIMUM PENSION WAS INCREASED TO 55,950 LIRE ON JANUARY 1, 1975. PRELIMINARY FORECASTS OF UNIONS ARE THAT MINIMUM PENSION MAY, DEPENDING ON WAGE DEVELOPMENTS, INCREASE TO 63,850 LIRE ON JANUARY 1, 1976; 71,750 LIRE ON JANUARY 1, 1977; AND 80,600 LIRE JANUARY 1, 1978. IN ADDITION, A COST OF LIVING POINT SYSTEM ANALOGOUS TO THAT FOR WAGE EARNERS WILL BE INTRODUCED. THE SYSTEM PROVIDES BEGINNING IN 1976 FOR A 400 LIRE PER MONTH PENSION SUPPLEMENT FOR EACH POINT CHANGE IN COST OF LIVING INDEX. THE SUPPLEMENT GOES TO 500 LIRE IN 1977; 600 IN 1978; 680 IN 1979 AND 758 LIRE IN 1980. (THE LAST FIGURE IS 80 PERCENT OF THE 948 LIRE PER POINT COST OF LIVING SUPPLEMENT WHICH IS CURRENTLY GIVEN TO INDUSTRIAL WAGE EARNERS.)

4. WHILE IT IS NOT POSSIBLE TO DETERMINE THE TOTAL ADDITIONAL BURDEN OF THIS AGREEMENT FOR THE STATE-RUN PENSION FUND SINCE THE AGREEMENT IS BASED ON FUTURE CHANGES IN MEDIAN WAGES AND COST OF LIVING SUPPLEMENTS, IT IS ESTIMATED THAT THE COST FOR THE CURRENT YEAR WILL BE 800 BILLION LIRE (APPROXIMATELY 1.27 BILLION DOLLARS). THE ADDITIONAL BURDEN IS TO BE FINANCED BY AN INCREASE IN CONTRIBUTIONS PAID BY EMPLOYERS AND EMPLOYEES EQUAL TO ONE PERCENT OF EMPLOYEE WAGES.

5. /COMMENT/: THE SUBJECT AGREEMENT REPRESENTS THE ATTAINMENT OF ANOTHER MAJOR CCU GOAL. UIL SECRETARY GENERAL VANNI CALLED THE AGREEMENT "AN EVENT OF GREAT IMPORTANCE." CGIL SECRETARY GENERAL LAMA NOTED THAT THE LINKING OF PENSIONS TO SALARY CHANGES IS AN INNOVATIVE DEVELOPMENT IN EUROPE, MAKING ITALY "THE FIRST TO GAIN ACCEPTANCE FOR THIS MECHANISM." BEAUDRY

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